Weekly Economic Review

Earnings pick up steam

Average Weekly Earnings

Goods sector drives earnings

Alberta average weekly earnings (AWE) reached $1,165 in August, an increase of 5.1% from August 2013, the largest year-over-year (y/y) increase this year. AWE has been robust through August with earnings up 4.2% over the first eight months of 2013. The goods-producing industries, up 6.2% y/y, continue to bolster overall AWE growth. Earnings growth has been especially strong in mining, oil and gas extraction, utilities and manufacturing. Service sector workers have also enjoyed solid gains in earnings, up 4.0% from August 2013. The highest earnings growth was in management of companies and enterprises (+23.3% y/y) and finance and insurance (+14.5% y/y).

Nationally, AWE was $943.30, an increase of 3.5% y/y, the largest increase this year. The earnings gap between Alberta and the rest of Canada continues to widen, approaching 30% (Chart 1).

Railcar Loadings

Railways laden with farm products

Railways in Western Canada are hauling more goods, with railcar loadings in August 11.8% higher than a year ago due to a large increase in the number of agricultural railcars. The number of cars carrying canola in August nearly quadrupled from August 2013, while cars carrying wheat were up by half. This has helped to move record stores from the bumper crop in 2013. Agricultural rail carloadings have expanded 36.5% year-to-date. Crude products moving by railcar also added to growth, increasing 48.1% y/y. A 20% y/y drop in coal shipments weighed heavily on car loadings (Chart 2), while movements of lumber products grew modestly.

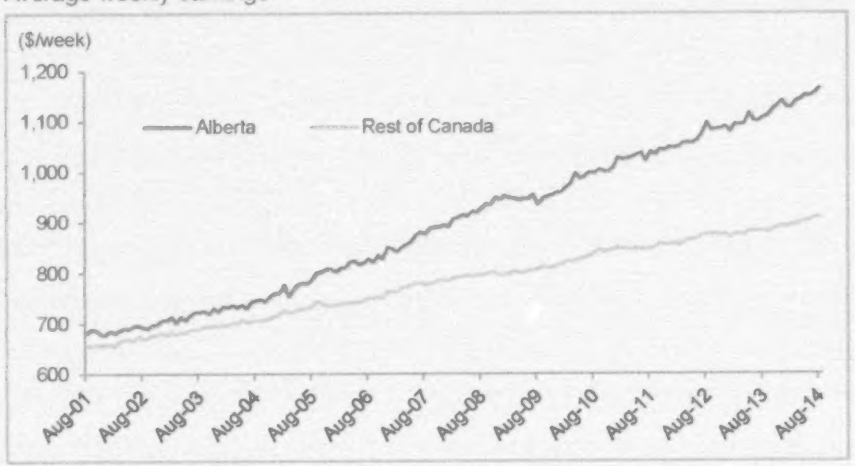
Rig Activity

Rig activity trending higher in 2014

There were 265 active drilling rigs in Alberta this October, 10.9% more than a year ago. Rig operators have been busy this year, with rig activity shaping up to be the highest in three years. National rig activity expanded 11.1% with both oil and gas rigs more active than in August 2013.

Chart 1: Earnings gap with the rest of Canada continues to widen

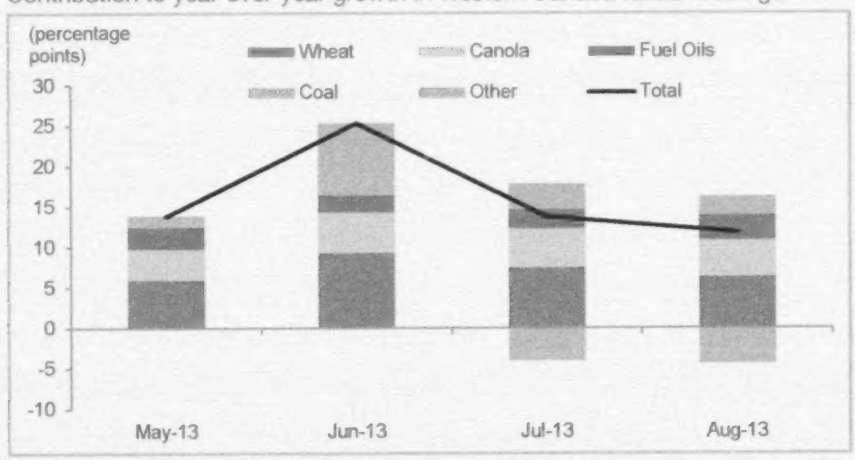
Average weekly earnings



Source: Statistics Canada

Chart 2: Rail activity booms following 2013 bumper crop

Contribution to year-over-year growth in Western Canada railcar loadings



Source: Statistics Canada

The latest metres drilled statistics available are for August, but they echo the rig count data for October. Total metres drilled expanded 38.9% y/y, with natural gas metres more than doubling from 2013. Extensive use of horizontal drilling techniques has led to longer wells being drilled for all well types. Crude oil (13.8%) and bitumen (+7.2%) operators also drilled more than in August 2013.

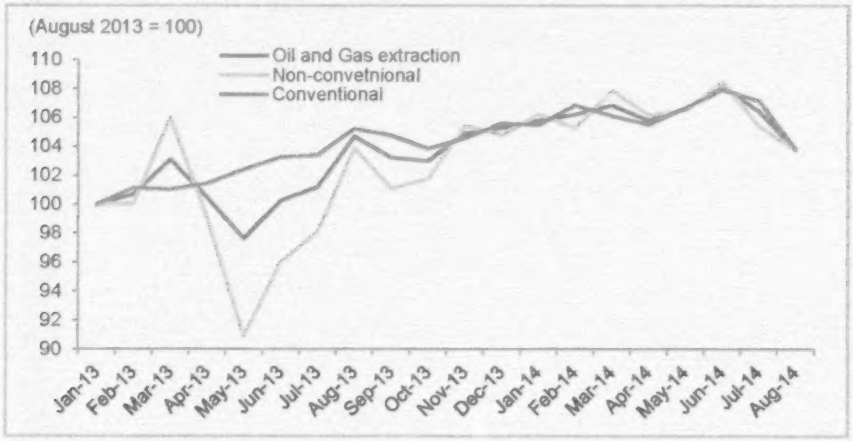
Canadian Real GDP

Two months without growth

Canadian real GDP declined on a monthly basis by 0.1% in August after it was flat in July. The contraction was concentrated among goods producing industries (-1.0%), with all goods industries contracting except utilities. The weakness was especially evident in oil and gas extraction with both conventional (-3.1%) and non-conventional (-1.6%) contracting sharply for the second-straight month (Chart 3). Since June, real GDP in the oil and gas sector has declined by 4.0%. Real GDP in service producing industries was up by 0.2% in August.

Chart 3: Oil and gas real GDP declines for the second-straight month

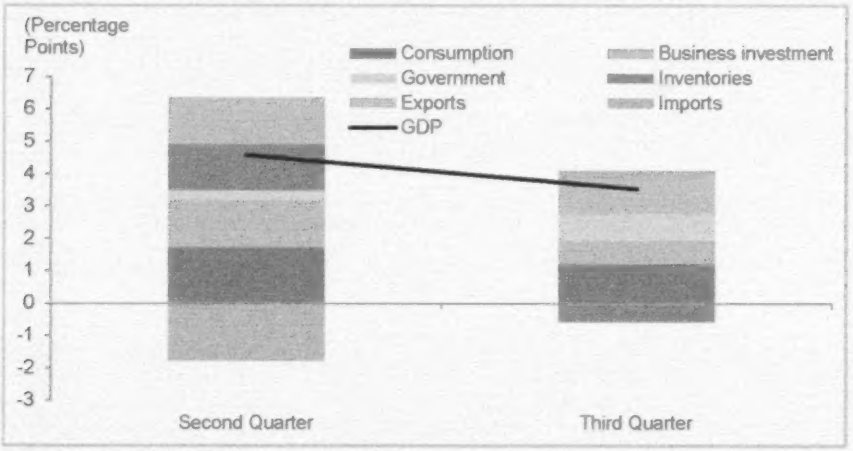
Index of Canadian oil and gas real GDP



Source: Statistics Canada

Chart 4: US maintains high real GDP growth

Contribution to US real GDP growth (quarterly at annual rates)



Source: US Bureau of Economic Analysis

US Real GDP

Strong growth continues

The US economy expanded by 3.5% (quarterly at annual rates) in the third quarter, building off of the 4.6% growth in the second quarter (Chart 4). Several GDP components showed strength, including exports (+7.8%), consumer durables (+7.2%) and federal government spending (+10.0%). The increase in federal spending was driven by a 16.0% increase in defense spending. Business investment in equipment increased by 7.2% reflecting improved confidence in the US economy.

Federal Reserve

Fed ends asset purchases

The US Federal Reserve ("the Fed") announced it will end monthly asset purchases two years after the program began in September 2012. The Fed purchased $85 billion in securities per month until January 2013 when it began to incrementally taper purchases until the program was terminated this month. Since the program began, the unemployment rate fell almost two percentage points and the pace of job creation ticked up. Though asset purchases have ended, the Fed's more traditional policy tool, the Federal Funds rate, is widely expected to remain near zero well into next year, as the labour market has not completely recovered and inflation remains below the Fed's 2% target.

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.